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| 10/807,551      | 03/23/2004  | Kimberly A. Snider   | LTRM002US0          | 3422             |

36291 7590 10/29/2007  
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| EXAMINER |
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RANKINS, WILLIAM E

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| ART UNIT | PAPER NUMBER |
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4172

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10/29/2007

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

## Office Action Summary

Application No.

10/807,551

Applicant(s)

SNIDER ET AL.

Examiner

William E. Rankins

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 23 March 2004.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 12-31 is/are pending in the application.
- 4a) Of the above claim(s) 19-31 is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 12-18 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☒ Claim(s) 12-31 are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- ☒ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO/SB/08)  
Paper No(s)/Mail Date \_\_\_\_\_
- ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_
- ☐ Notice of Informal Patent Application
- ☐ Other: \_\_\_\_\_

## **DETAILED ACTION**

### ***Election/Restrictions***

1. Restriction to one of the following inventions is required under 35 U.S.C. 121:
  - I. Claims 12-18, drawn to a method of purchasing stock having high option premiums to generate income, classified in class 705, subclass 36.
  - II. Claim 19-31, drawn to Allocating funds from a investment account for the purchase of stocks having high option premiums, classified in class 705, subclass 36.

1. Inventions I and II are related as combination and subcombination. Inventions in this relationship are distinct if it can be shown that (1) the combination as claimed does not require the particulars of the subcombination as claimed for patentability, and (2) that the subcombination has utility by itself or in other combinations (MPEP § 806.05(c)). In the instant case, the combination as claimed does not require the particulars of the subcombination as claimed because the source of funds and the allocation between investments is immaterial to the method proposed and the generation of income. The subcombination has separate utility such as a method balancing a portfolio and reducing risk.

The examiner has required restriction between combination and subcombination inventions. Where applicant elects a subcombination, and claims thereto are

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subsequently found allowable, any claim(s) depending from or otherwise requiring all the limitations of the allowable subcombination will be examined for patentability in accordance with 37 CFR 1.104. See MPEP § 821.04(a). Applicant is advised that if any claim presented in a continuation or divisional application is anticipated by, or includes all the limitations of, a claim that is allowable in the present application, such claim may be subject to provisional statutory and/or nonstatutory double patenting rejections over the claims of the instant application.

2. Because these inventions are independent or distinct for the reasons given above and there would be a serious burden on the examiner if restriction were not required because the inventions require a different field of search (see MPEP § 808.02), restriction for examination purposes as indicated is proper.

3. During a telephone conversation with Steven Smith on October 24th, 2007 a provisional election was made without traverse to prosecute the invention of group I, claims 12-18. Affirmation of this election must be made by applicant in replying to this Office action. Claims 19-31 withdrawn from further consideration by the examiner, 37 CFR 1.142(b), as being drawn to a non-elected invention.

***Claim Rejections - 35 USC § 112***

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the

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art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

1. Claims 16 and 17 rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter that was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The specification does not disclose how capital available for investment is determined or how the stated objectives are balanced.

2. Claims 16 and 17 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter that was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The specification does not disclose how maximizing diversification is accomplished.

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter that the applicant regards as his invention.

3. Claims 16 and 17 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Claims 16 and 17 provides for the use of a selection method based on available capital and balancing objectives, but, since the claim does

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not set forth any steps involved in the method/process, it is unclear what method/process applicant is intending to encompass. A claim is indefinite where it merely recites a use without any active, positive steps delimiting how this use is actually practiced.

Claims 16 and 17 are rejected under 35 U.S.C. 101 because the claimed recitation of a use, without setting forth any steps involved in the process, results in an improper definition of a process, i.e., results in a claim which is not a proper process claim under 35 U.S.C. 101. See for example *Ex parte Dunki*, 153 USPQ 678 (Bd.App. 1967) and *Clinical Products, Ltd. v. Brenner*, 255 F. Supp. 131, 149 USPQ 475 (D.D.C. 1966).

4. Claims 15 and 18 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The term "as soon as possible" in claims 15 and 18 is a relative term which renders the claim indefinite. The term "as soon as possible" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention.

***Claim Rejections - 35 USC § 102***

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

1. Claim 12 is rejected under 35 U.S.C. 102(b) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads).

As per claim 12;

Moleman discloses:

A method of generating income from at least one stock position in an investment account, comprising:

Purchasing at a market price, shares of at least one stock having high option premiums, without regard to any potential increase or decrease in the market price of the stock, without regard to any potential increase or decrease in the market price of the stock (paragraph 6); and

selling covered call options for the stock to generate income (paragraph 2).

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***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

2. Claims 13 and 14 are rejected under 35 U.S.C. 103(a) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads), and further in view of Lutnick et al (2005/0010481) .

As per claim 13;

Moleman discloses:

The method of claim 12.

Moleman does not disclose:

wherein the step of purchasing shares of at least one stock includes:

screening a plurality of stocks for risk factors; and

of the stocks that pass the screening step, selecting the stocks with the highest call option premiums.

However, Lutnick et al (2005/0010481) discloses:



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A system and method of creating a user configurable bankruptcy index tied to a portfolio of investments (paragraph 0037).

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Moleman and Lutnick et al.

One of ordinary skill in the art would be motivated to do so in order to hedge against the risk of bankruptcy of any of the companies in which they invest.

As per claim 14;

Moleman discloses:

The method of claim 13.

Moleman does not disclose:

The step of screening a plurality of stocks for risk factors includes eliminating stocks for companies having a risk of going bankrupt that is above a threshold bankruptcy-risk level.

However, Lutnick discloses:

Selecting companies for investment using a weighted bankruptcy index (paragraph 0037).

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Cohen et al., Anderson and Lutnick et al.

One of ordinary skill in the art would be motivated to do so in order to simplify the hedging strategy.

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3. Claim 15 is rejected under 35 U.S.C. 103(a) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads), and further in view of Lutnick et al (2005/0010481) , and further in view of Anderson (6,064,985).

As per claim 15;

Moleman and Lutnick et al. disclose:

The method of claim 13.

Moleman and Lutnick et al. do not disclose:

wherein the step of selling covered call options includes selling covered call options that expire in the next calendar month, and selling the covered call options at a strike price at or just above the market price of the stock, wherein the covered call options are sold as soon as possible after current-month options expire so as to maximize a time-premium component of the option premium.

However, Anderson discloses:

Selling calls above the strike price and selling covered calls on or before the strike date (date of expiration of option) (Col. 4, line 61-Col. 5, line 2).

Anderson does not explicitly state the method of selling covered calls that expire in the next month however, the examiner asserts that selling covered call options that expire in the next month is included in the method of selling covered call options on or before the strike date and that selling above the market price would be obvious to one

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of ordinary skill in the art since it is desirable to sell an investment at a higher price than which it was obtained.

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Moleman, Lutnick et al. and Anderson.

One of ordinary skill in the art would be motivated to do so in order to make a profit on the sale of the stock.

4. Claim 16 is rejected under 35 U.S.C. 103(a) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads), further in view of Lutnick et al (2005/0010481) , and further in view of Anderson (6,064,985) , and further in view of Sefein et al. (2002/0174056) and further in view of Frattalone (2002/0019793).

As per claim 16;

Moleman, Anderson and Lutnick et al. disclose:

The method of claim 15.

Moleman, Anderson and Lutnick et al. do not disclose:

wherein the step of selecting the stocks positions for purchase includes selecting the stocks based on a set of criteria that depend upon the amount of capital available for investment, said criteria balancing the objectives of:

maximizing option premium income from the stock positions;

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minimizing future inability to sell call options on purchased stock positions; and maximizing diversification of the purchased stocks.

However, Sefein et al. discloses:

An option selection system that includes a user profile system and a strategy system that receives user financial data, risk aversion data and option selection data from the client. Options recommendations are made based upon...estimated price direction of security and amount of investment (paragraph 0022 and 0023).

Also, Frattalone discloses:

Investment objectives such as income production, risk reducing hedging effects and carefully selecting combinations of investments.

The examiner asserts that the risk reducing hedging effects and the selecting combinations of investments are strategies designed to minimize the inability to sell call options and to maximize diversification. It was also well known at the time of this invention to those of ordinary skill in the art to diversify portfolios of investment in order to reduce risk. The examiner also notes that the limitation of minimizing the future inability to sell call options is met by limiting the number of shares that can be purchased within a predetermined range of stock prices is disclosed within the application and is considered to be an aspect of diversification.

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Moleman, Anderson, Lutnick et al., Sefein et al. and Frattalone et al.

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One of ordinary skill in the art would be motivated to do so in order to provide a customizable portfolio for clients or individual investors.

5. Claim 17 is rejected under 35 U.S.C. 103(a) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads), further in view of Sefein et al. (2002/0174056), and further in view of Frattalone 2002/0019793).

As per claim 17;

Moleman discloses:

A method of generating income from at least one stock position in an investment account, comprising:

selling covered call options for the stock positions to generate income (paragraphs 2 and 6).

Moleman does not disclose:

selecting stock positions for purchase using a set of criteria that depend upon the amount of capital available for investment, said criteria balancing the objectives of:

maximizing income from the stock positions;

minimizing the risk of any company whose stock is purchased from going bankrupt;

minimizing future inability to sell call options on purchased stock positions; and

maximizing diversification of the purchased stocks.

However, Sefein et al. discloses:

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An option selection system that includes a user profile system and a strategy system that receives user financial data, risk aversion data and option selection data from the client. Options recommendations are made based upon...estimated price direction of security and amount of investment (paragraph 0022 and 0023).

Also, Frattalone discloses:

Investment objectives such as income production, risk-reducing hedging effects and carefully selecting combinations of investments (paragraph 0010).

The examiner asserts that the risk reducing hedging effects and the selecting combinations of investments are strategies designed to minimize the inability to sell call options and to maximize diversification. It was also well known at the time of this invention to those of ordinary skill in the art to diversify portfolios of investment in order to reduce risk.

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Moleman, Sefein et al. and Frattalone et al.

One of ordinary skill in the art would be motivated to do so in order to balance risk versus reward.

6. Claim 18 is rejected under 35 U.S.C. 103(a) as being unpatentable over Moleman (Chart Forum: Options & Derivatives: ASX: Calendar LEAPS spreads), further in view of Sefein et al. (2002/0174056), and further in view of Frattalone 2002/0019793), and further in view of Anderson (6,064,985).

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As per claim 18;

Moleman, Sefein et al. and Frattalone disclose:

The method of claim 17.

Moleman, Sefein et al. and Frattalone do not disclose:

Wherein the step of selling covered call options for the stock positions includes selling covered call options that expire in the next calendar month, and selling the covered call options at a strike price at or just above the market price of each stock position, wherein the covered call options are sold as soon as possible after current-month options expire so as to maximize a time-premium component of the option premium.

However, Anderson discloses:

See basis for rejection of claim 15.

Therefore, it would have been obvious to one of ordinary skill in the art at the time of this invention to combine the methods of Moleman, Sefein et al., Frattalone et al. and Anderson.

One of ordinary skill in the art would be motivated to do so in order to balance risk versus reward. Additionally the examiner asserts that the steps recited in selling covered call options are old and well known in the art when the objective is to generate income from option premium.

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**Conclusion**

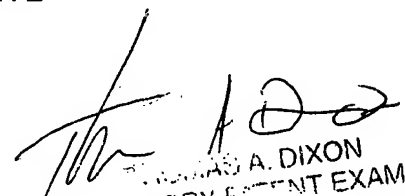
Any inquiry concerning this communication or earlier communications from the examiner should be directed to William E. Rankins whose telephone number is 571-270-3465. The examiner can normally be reached on M-F 7:30 AM - 5:00 PM, off alt Fridays beg 6/15/07.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Thomas Dixon can be reached on 571-272-6803. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

William E Rankins  
Examiner  
Art Unit 4172

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THOMAS A. DIXON  
SENIOR PATENT EXAMINER